



HOUSE MAJORITY OFFICE

MESSAGE POINTS

Representative Carlos Lopez – Cantera, Majority Leader

Medicaid Reform

CS/HB 7107 & CS/HB 7109

Florida's Medicaid system in its current form is unsustainable, and is not delivering value for either consumers or taxpayers. Funding for Medicaid is already expected to consume almost 30% of the total state budget this fiscal year, and its cost will only continue to rise. Carve outs for special populations, regions, and vendors have made our Medicaid system one of the most complicated in the nation.

We are bringing more accountability to the system, cracking down on fraud, and improving patient care. Moving to a statewide managed care program will ensure costs are controlled while delivering better and more stable services to Floridians who depend on Medicaid for their health care needs.

Key Points:

- The bills increase accountability and improve care by moving from complex fee-for-service model to a statewide, integrated managed care program.
 - Sets forth a five-year implementation plan to move the state's Medicaid population to a comprehensive managed care system.
 - Managed care plans will be selected through a competitive bid process in eight geographic regions to ensure both quality care for the patient and affordability to the state.
 - Several plans, including Provider Service Networks (PSNs), will be available in each region, allowing patient choice, competition, and simplified administration.
 - Selected plans will demonstrate they meet specific standards that include commitment to quality improvement, provider access, accreditation, fraud prevention, and price.
 - Plans will be held accountable through contract-based performance standards with consequences for failure to meet those standards.
- The bills create a managed care program that emphasizes home- and community-based care for the long term care of our seniors and persons with developmental disabilities.
- If the Legislature takes no action, the current Medicaid program will continue to hemorrhage the state budget to the serious detriment of all other programs.
- The House's Medicaid reform package will make Florida's Medicaid program more patient-centered, prevention focused, outcome-oriented, and cost-effective.

LAST SEEN:

**HB 7107 & HB 7109
passed out of the
Appropriations
Committee on
March 24, 2011**



CURRENTLY IN:

**On Special Order for
Tuesday, March 29,
2011**



HEADED TO:

**3rd reading
Thursday March 31,
2011**



HOUSE MAJORITY OFFICE

MESSAGE POINTS

Representative Carlos Lopez – Cantera, Majority Leader

Florida's Current Medicaid System and the Need for Change

Florida's current Medicaid system is unsustainable and will continue to hemorrhage the state budget to the serious detriment of all other programs.

- This year funding for Medicaid is expected to consume almost 30% of Florida's total state budget.
 - In fiscal year 1999-2000, total expenditures for Florida Medicaid were \$7.42 billion (17.8% of the total state budget).
 - In fiscal year 2010-2011, total expenditures for Florida Medicaid were almost \$21 billion (28.3% of the total state budget).
 - If the growth rates continue at the same levels as they have averaged over the last 12 years (without the added cost of federal health care legislation), by fiscal year 2014-2015 Medicaid expenditures are estimated to be \$7 billion higher than they were in 2010-2011.
- The federal health care legislation, if found constitutional, will expand Medicaid to an additional 1.9 million Floridians, placing an even greater strain on our state budget.
 - If the federal health care legislation is found constitutional, the estimated total expenditures is expected to grow to \$28 billion by fiscal year 2013-2014, due to these expansions.
 - By 2018-2019, the estimated total expenditures for Florida Medicaid will be almost \$35 billion if the federal health care legislation is found constitutional.
- Florida's current Medicaid program predominately uses expensive fee-for-service system, which is considerably more expensive than a managed care system.
 - According to a 2009 Social Services Estimating Conference, Florida's fee-for-service system serviced 58% of the Medicaid population while consuming 81% of the total Medicaid costs.
 - Based on the same Social Services Estimating Conference, 42% of Medicaid participants utilizing the managed care model only account for 19% of total Medicaid costs.

Florida's current Medicaid system is rife with problems for patients in terms of both access and quality.

- The current Medicaid system features inefficient service delivery whereby many patients cannot access specialists or need to travel long distances to receive specialty care.
 - Some patients are forced to drive past Medicaid providers who refuse or are unable to see them in order to access the providers who will.
 - In many cases, doctors participating in the current Medicaid system still receive the same rates for services as they did 20 years ago. The lower rates have led to less doctor participation in the program.
- The current Medicaid system allows for uneven quality of service where there is a lack of systematic quality protections that would incentivize healthcare providers to improve delivery of care.
- Florida's current Medicaid system also lacks quality coordinated care, resulting in expensive emergency hospitalizations that should have been preventable.



HOUSE MAJORITY OFFICE

MESSAGE POINTS

Representative Carlos Lopez – Cantera, Majority Leader

Carve outs for special populations, regions, and vendors have made Florida's current Medicaid program one of the most complex programs in the nation.

- Florida's Medicaid program consists of an intricate system of eligibility groups, financing, and service delivery models, making it extremely difficult to manage.
 - The state operates both fee-for-service and managed care models.
 - Currently, there are about 100,000 fee-for-service providers, making the system difficult to manage, and making it difficult for AHCA to screen out potential fraud sources.
 - There are 23 managed care organizations that include 16 HMOs and 7 Provider Service Networks (PSNs).
 - The current Medicaid system also includes dozens of individual programs and projects.
- The carve outs in the current Medicaid system favor particular vendors or plans who have lobbied the Legislature to secure some singular arrangement.

Fraud and abuse is rampant in Florida's current Medicaid program.

- The fee-for-service system – with 100,000 provider contracts to monitor – is where the majority of Medicaid fraud occurs.
 - Under federal law, fee-for-service Medicaid must take any willing provider that meets the state's qualifications, and it can be difficult to screen out potential bad actors.
 - In fee-for-service, claims are paid out, and then later a determination is made that the claim is fraudulent. The state must then "chase" the fraud in an attempt to recoup the money.
 - Commonly referred to as 'pay and chase' fraud fighting, this method is extremely ineffective.

Reforming Florida's Medicaid System: CS/HB 7107 & CS/HB 7109

The House's Medicaid reform package moves the state's entire Medicaid population into a statewide managed care program.

- The bills set forth a five-year implementation plan to move the state's Medicaid population into a comprehensive managed care system.
 - The extended implementation plan allows AHCA to work with the federal Centers for Medicaid & Medicare Services (CMS) to obtain approval and gives AHCA time to implement the changes carefully.
 - The five-year implementation plan will also give local provider service networks enough time to formalize and establish their association of providers.
- The bills divide the state into 8 geographic regions consistent with patient referral patterns and groups rural and urban counties to ensure statewide coverage.
 - The bills limit the number of plans in a region to a minimum of 3-5 and a maximum of 7-10 plans depending on the region, to ensure both patient choice and plan viability.
 - The limited number of plans simplifies program administration by eliminating the colossal and complicated system of fee-for service providers.



HOUSE MAJORITY OFFICE

MESSAGE POINTS

Representative Carlos Lopez – Cantera, Majority Leader

- The regions are small enough to make the system easier to manage but large enough to promote competition and prevent dependency on a small number of vendors.
- Individuals in each of the 8 regions will have the choice of several different plan providers, creating consumer choice.
 - Available managed care plans will include:
 - Health Maintenance Organizations (HMO)
 - Accountable Care Organizations (ACO)
 - At least one Provider Service Networks (PSN)
 - Home- and community-based care programs
- The bills ensure that all Medicaid recipients will have the necessary coverage by incentivizing plans to participate in the less populated rural areas of the state.
 - Plans that win contracts in the panhandle area will automatically be approved to serve in any of the other 7 geographic areas.
- The bills also provide choice counseling to ensure that individuals moving into the Medicaid managed care program have the necessary information and guidance to make informed decisions when choosing their managed care plans.
- The House's Medicaid reform package also mandates that AHCA obtain public feedback on the program in order to make certain that the affected Floridians have the chance to voice their opinions on how they receive their health care and to continue to make the entire process transparent.

Managed care plans will be selected through a competitive bid process in the eight geographic regions to ensure quality care for the patient and affordability to the state.

- Plans wishing to participate in the program will bid for 5-year, non-renewable, contracts. The state will consider the following factors when choosing plans:
 - Accreditation
 - Experience
 - Adequacy of physician network
 - Community partnerships
 - Quality improvement programs
 - Offers of additional benefits
 - Participation history in the Medicaid program
 - Evidence of written agreement, signed contracts, or substantial progress in establishing relationships with providers
 - Preference will be given to plans that have contracts with a sufficient number of primary and specialty physicians.
- The bills also require the state give preference to plans that will provide the greatest economic benefit to the state through employment of Floridians.



HOUSE MAJORITY OFFICE

MESSAGE POINTS

Representative Carlos Lopez – Cantera, Majority Leader

- The bills provide that AHCA will establish the contract requirements for the chosen plans but that plans must:
 - Pay for emergency services.
 - Maintain an adequate number of providers.
 - Comply with AHCA's Medicaid Encounter Data System (MEDS).
 - Meet performance standards established by AHCA.
 - Establish quality improvement systems.
 - Establish a program integrity plan to reduce the incidence of fraud and abuse.
 - Maintain internal grievance resolution process.
 - Promptly pay all electronically submitted claims.
- The bills also provide enhanced financial penalties for plans that withdraw prior to the end of their contracts in order to make certain that plans cannot just come and go, leaving Florida's Medicaid population without coverage.
- The bills require AHCA to establish a methodology to determine if a plan is managing care effectively. Plans not managing effectively will be required to pay a refund, and plans that save money will be required to share their profits with the state.
- The plan contract requirements will substantially increase accountability:
 - To patients and their access to quality care.
 - To doctors and their ability to receive improved compensation.
 - To Florida and its taxpayers that the Medicaid budget will no longer continue to spiral out of control.

The bills create a managed care program for the long term care of our seniors.

- Florida's elderly population is growing. By 2030, Florida is estimated to have 7.8 million citizens age 65 or older, a 56.4% increase from the 3.4 million seniors today.
 - 14.23% of Florida's Medicaid population is over 65, but Florida spends 21.97% of its Medicaid dollars on the elderly.
- The House's Medicaid reform package creates a managed care program that emphasizes home- and community-based care, rewarding managed care plans that keep seniors out of nursing homes.
 - Florida spends over \$50,000 per year for an individual in a nursing home but can often provide home and community based services for under \$20,000 per year.

The bills create a managed care program for persons with developmental disabilities.

- A priority of the bills is improving the stability of the developmental disabilities portion of the Medicaid program.
 - Moving to a managed care model will provide better budget predictability easing the large yearly deficit that occurs in developmental disability portion of the Medicaid program.
 - Frequent and extensive litigation resulting from legislative efforts to manage the program will be less of a factor, as the managed care plans for the developmentally disabled will provide enrollees a consumer-directed care option.
 - The consumer-directed care services will provide a flexible budget managed by the enrollees and their families, allowing them to choose providers, services, and rates that meet their specialized needs.



HOUSE MAJORITY OFFICE

MESSAGE POINTS

Representative Carlos Lopez – Cantera, Majority Leader

- Managing the care of the developmentally disabled through an integrated managed care system creates the opportunity for savings to be reinvested in home and community-based services.
- Currently there is an extensive waitlist of individuals with developmental disabilities needing Medicaid, and the House's reform package will eventually lead to a stable program with predictable spending that will allow us to serve those on the waitlist.
- HMOs seeking to serve persons with developmental disabilities must be managed care plans under contract to provide medical coverage or other long term services. This restriction will ensure that plans serving persons with developmental disabilities minimize administrative overhead, keeping the focus on the patient.
- The regions for long term care plans for the developmentally disabled are consolidated into 3 larger regions to provide plans with the enrollment levels needed for plan stability and stability for the patient.

CONCLUSION

The House's Medicaid reform package brings more accountability to the system, cracks down on fraud, and improves patient care. The House's plan to move to a statewide managed care program from the current, complex fee-for-service system will ensure that spiraling Medicaid costs are controlled while delivering better and more stable services to those Floridians who depend on Medicaid for their health care needs.